

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** January 4, 2012  
**POSITION:** Neutral  
**SPONSOR:** The Franchise Tax Board

**BILL NUMBER:** AB 318  
**AUTHOR:** N. Skinner

### **BILL SUMMARY:** Franchise Tax Board: Administration: Legal Holiday

This bill conforms California's income tax laws to federal income tax laws in regard to the definition of a "legal holiday" thereby ensuring that due dates for payments made and returns filed under California personal income tax law and corporation income tax law mirror federal due dates.

### **FISCAL SUMMARY**

According to the Franchise Tax Board (FTB), this bill would not impact state revenue, nor would it impact FTB's programs and operation.

### **COMMENTS**

Finance notes that by modifying the filing and payment due dates to mirror federal due date, and extensions of those days to account for holidays, it would reduce taxpayer confusion and increase FTB's efficiency by eliminating administrative time spent extending these due dates.

Under existing federal law, when April 15<sup>th</sup> falls on a Saturday, Sunday, or legal holiday, a return is considered to be timely filed, and payment timely made, on the day following the Sunday, or holiday.

Currently, Emancipation Day is a legal holiday celebrated on April 16<sup>th</sup> in the District of Columbia and recognized as such by the Internal Revenue Service. It is not a legal holiday in California.

**Under existing state law**, as under federal law, when April 15<sup>th</sup> falls on a Saturday, Sunday, or legal holiday, a return is considered to be timely filed, and payment timely made, on the day following the Sunday, or holiday.

**This bill would** define the term "legal holiday" to include legal holidays recognized under federal law when making income tax payments and the filing returns. This would include a legal holiday in the District of Columbia.

**This bill** codifies the FTB's authority to extend the due date for making payments or filing returns, under personal income tax law and corporation income tax law, when the due date falls on a Saturday, Sunday, or a legal holiday.

According to the author's office, when the federal Emancipation Day holiday falls on the same day that income tax payments and returns are due, the filing date is extended by the IRS; however, because it is not a holiday under California law, the FTB must administratively change the due date for California filing purposes to ensure that taxpayers are not assessed penalties for filing on the extended deadline. AB 318 provides the necessary language to define a legal holiday in California for income tax purposes to include legal holidays recognized under federal law.

Analyst/Principal (0724) R. Lawrence	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)****Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

N. Skinner

January 4, 2012

AB 318

According to the sponsor of this measure, the FTB, AB 318 is necessary to codify filing and payment due dates "to eliminate taxpayer confusion when the FTB changes the due dates on forms and instructions without statutory authority, when there is a federally recognized holiday that changes the due date for federal income tax returns".

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
1104/Corp Tax	RV	No	-----	No/Minor Fiscal Impact				-----	0001
1730/FTB	SO	No	-----	No/Minor Fiscal Impact				-----	0001